POLICY NOTE SERIES # 22

PSP4H Programme Cumulative Lessons Learned

The Private Sector Innovation Programme for Health (PSP4H) is a four and a half year programme which began as a two-year action research programme to explore the markets in which poor people pay for-profit providers for healthcare. PSP4H's seeks "to improve the for-profit health market in Kenya, so that poor people get better value for money they spend on health". This was a new area for the UK Department for International Development (DFID) in Kenya. The programme's objective is to learn lessons about how a market systems approach might benefit pro-poor health interventions, to inform future programming throughout East Africa and beyond. As a result, at different intervals during the programme, PSP4H has documented its learnings and this brief presents an overview of its collective lessons.

Overarching Lesson - M4P in Health Works!
Since PSP4H was the first dedicated M4P programme in health, the first objective of the programme was to ascertain the validity of the approach in the health sector. In the course of programming, PSP4H uncovered the overarching lesson that M4P in health can bring lower cost, better value healthcare products and services to the market, resulting in beneficial impacts on the health and pockets of the poor.

Identifying Opportunities - Supply Side
PSP4H quickly realized, early on in the programme, that commercial sustainability is difficult in donor crowded areas as the presence of grant funding, subsidies, medical commodities, equipment and budgetary support tends to crowd out commercial investment. Key health markets like maternal health, HIV/AIDS, tuberculosis and family planning, are crowded with multiple donors. Kenya had 273 donor-funded health programmes in early 2014 which made it hard to identify areas to implement facilitative health interventions given the M4P approach. Despite this, PSP4H also discovered that in Kenya, there are significant underserved healthcare areas that are attractive for the private sector such as Non-Communicable Diseases (NCDs), low cost delivery models and diagnostics to mention a few.

Mapping the sector before intervening is critical to identify areas for engagement that are not at risk of being crowded out by grants and subsidies.

Identifying Opportunities - Demand Side
PSP4H broke down the Kenyan population pyramid as seen by healthcare businesses into three categories, namely, those who can afford to pay for healthcare (5%), those who can pay less (50%) and those who cannot pay (45%), see Figure 1. Early research suggested that the current market is limited to the top end of the market, the 5% who clearly "can pay" for private health services. The fifty percent who "can pay less" make up approximately twenty-two million of the Kenyan population, which makes this segment the mass market. This mass market is largely underserved and there is great opportunity for healthcare practitioners and entrepreneurs to tap into this large underserved market especially in the uncrowded areas identified.

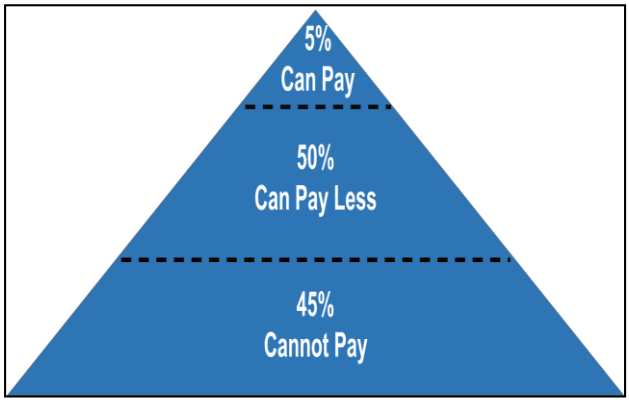

Figure 1: The Kenyan Population Pyramid as Seen by Healthcare Businesses, Percentage

Source: PSP4H Policy Brief No. 15

Understanding Regulation in the Healthcare Sector
It is important to note, before embarking on an intervention, that health is a heavily regulated sector which slows the pace of market roll out. Understanding regulation is critical prior to investing. Healthcare research often requires ethical approval from regulatory bodies due to involvement of human subjects. This slows down surveys involving beneficiaries which may be needed to measure impact and these timelines need to considered in the design of M4P health programmes.

Leverage Existing Networks – Start at Scale

Working with existing aggregations creates scale advantages as PSP4H has shown with Pharmnet and Labnet. This model presents an alternative to the conventional pilot and scale-up model. Through this model, the programme is able to leverage existing private sector organizations that already work with licensed health cadres and quality assurance is achieved and maintained through self-regulation (peer review). Properly organised networks also assist the public sector in its regulation enforcement capacity e.g. Pharmacy and Poisons Board (PPB).

Organic scale-up occurs as independent interventions addressing different systemic constraints progress and mature within a diverse portfolio of interventions. The network model achieves superior value for money (VfM) for development investment as it allows for greater reach in less time. For example, the Pharmnet pharmacy network intervention which began in 2014 with a budget of £140,000 circa has served over 3.2 million low income Kenyans with affordable and quality assured medicines in a market where substandard medicines are said to make up 30% of the drugs in circulation. The Pharmnet network model largely demonstrated the proof of the 'start at scale' concept as demonstrated by the initial uptake by 400 pharmacy owners out of whom 250 were branded. The branded pharmacies registered 32% growth in monthly footfall and 21% increase in monthly turnover within the second year of launching the business model.

The Pharmnet intervention has however experienced challenges largely related to governance and leadership. The project was originally envisioned to start at scale through leveraging existing networks such as Kenya Pharmaceutical Association's vast membership who had businesses that were already operational and well established. Internal dissonance within the association's governance structures has led to a decline in group purchasing efforts which in turn have resulted in a slowdown in operations.

Some of the critical lessons learned by PSP4H through the Pharmnet intervention include:

> Partner engagement needs to be driven at the level of individual membership

> The network needs to be member owned and member driven to ensure sustainability

> Leadership behaviour is critical to the success of the model and the role of an individual cannot be downplayed

The lessons learnt have necessitated rethinking the network model concept as originally envisioned while striving to incorporate the lessons learned from the first phase of the project. Current efforts are being directed toward revival of pooled procurement by building a joint partnership between Phillips Pharmaceuticals and a select group of pharmacies designated as the top 100.

The focus of the new partnership is on two key areas:

1. SME training covering five essential business models related to operations and inventory management, cash flow management and customer service which will offer a good foundation for supporting pooled procurement operations
2. Pooled procurement component piloting ten fast moving products inclusive of over the counter (OTC) range sourced from Phillips Pharmaceuticals

Phillips Pharmaceuticals has shown interest in taking up the intervention which is an excellent outcome as contemplated from the outset.

Finally, there are higher chances of replicability with network models as can be seen with Labnet East Africa. The Labnet network started with 65 independent medical labs in the network, has grown to 90 private laboratories and has now expanded outside Kenya to the East African Community neighbour, Uganda, showing replicability as well as scale. Details of the replicability of the network model can be seen in PSP4H's most recent feature report on Innovation Uptake in Pro-poor Health Markets.

Diverse Intervention Portfolio

It is important to support diverse market-based interventions with the view that some will succeed, as opposed to choosing the apparent 'most likely' interventions up-front. The portfolio approach allows the marketplace to take its course and often times, this approach allows interventions to converge at latter stages of maturity through network effects which is seen in the cases of Pharmnet, Labnet and Docnet, collectively providing affordable primary healthcare to low-income Kenyans.

PSP4H found that the intervention process and programme model adopted contributed to the success of the programme. Instead of ad-hoc management often used in addressing market constraints, PSP4H used a simple but robust intervention logic with few activities at input stage. PSP4H also took a minimalist approach to the development of intervention indicators ensuring that critical indicators whilst ensuring that measurement plans are concise and fit for purpose. Policy Brief No. 21 details the PSP4H's programme model.

When designing suitable market based interventions for the mass market, the target market must be engaged during the design stage. Engaging low-income consumers to understand their path to treatment and their health seeking and spending behaviour is critical to provide adequate insights which will guide the intervention.

Partner Engagement is Fundamental

Whilst market systems programmes requires analysis before embarking on a market intervention, analysis alone will not guarantee programme success. Given PSP4H's experience with various intervention partners, the importance of the 'right partner' cannot be over emphasized as choosing suitable partners is critical to the interventions success. The ideal private sector partner should be profiled to ensure they share mutual objectives, are motivated to engage, invest and share data with the programme. It is important that partners are self-motivated and not driven by the wrong incentives e.g. cash. PSP4H's Implementation Series No. 2 on Intervention Screening and Policy Brief No. 21 on PSP4H's Programme Model and Development Legacy, shed more insights on how to profile an intervention partner.

Focus more on Healthcare as a Business

Quality in both clinical care and customer care is essential to attract more clients. However, few private practices conduct the economic analysis needed to run a profitable business. In order to sustainably run a low cost – high quality model to serve Kenya's low-income mass market, factors such as having a focused scope of services, engineered delivery and pooled procurement are key factors PSP4H necessary in delivering low cost healthcare delivery. Details of this low cost delivery can be seen in PSP4H's Policy Brief No.13- Key Factors in Low Cost Healthcare Delivery for the Kenyan Market.

Another lesson PSP4H learnt through the course of its interventions is that, similar to any other business, a successful business model for a healthcare enterprise is as important as high-quality service. The success or failure of an intervention is largely based on the business model adopted and how well its adapted to suit the local socio-economic context.

Business Skills Training is essential, but must go beyond the classroom

Unemployment in Kenya is high at 39.1%[1]. As a result, a significant number of health professionals go into private practice with no business skills. While the healthcare personnel in Kenya are trained to deliver healthcare services that meet standards of care, they are not trained in business as part of their professional qualifications and generally lack the business skills necessary to ensure that their private practice is profitable. This skills gap translates to poor, unreliable and potentially expensive services for lower income groups of the population and is a significant barrier to access.

Typically, business skills training typically ends with classroom sessions. However, PSP4H discovered that to create change, have business impact and ensure sustainability, business skills training must be followed up with mentoring and specific technical assistance at the clinics where the business skills are being implemented.

[1] Source: UNDP Human Development Report 2016

What we have learned about Public Private Partnerships in Health?

There are different definitions of public private partnerships (PPPs) in the health sector and they hinder opportunities for the private sector. The government, through the Ministry of Finance and some donors e.g. International Finance Corporation, mostly refer to capital-intensive PPPs. However, the business community uses a wider definition for PPPs which encompasses service contracts, service referrals and public private dialogue etc.

Although counties are interested in partnering with the private sector, they often do not have strategic control of the PPP agenda. Many counties lack the skills and capacity, and do not have the requisite policies and processes in place as regards structuring and implementing PPPs. As a result, counties should focus on easier PPPs for quick wins and avoid capital intensive one which require high-level expertise and treasury approval for PPPs above KES 5millon, until they have built the requisite capacity to enhance health services delivery for its residents.

Conclusion

Between the inception phase of PSP4H and the ongoing implementation period, these key lessons on how best to implement pro-poor health interventions have emerged. PSP4H believes that its learnings, which include both successes and failures, will inform the donor community, private sector and governments on the validity of the market systems approach in bringing about sustainable changes in the private healthcare sector. The learnings will also encourage further discussions on the application of the M4P approach within healthcare.

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Contact us at: Private Sector Innovation Programme for Health (PSP4H)
Email: info@psp4h.com | www.psp4h.com | +254(0)708 771 545

Private Sector Innovation Programme for Health (PSP4H). 2017. *PSP4H Programme Model and Development Legacy. . Policy Series No. 21.* Nairobi: PSP4H.